



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

1100 Commerce, MC 4920 DAL

Dallas, TX 75242

501.02-00

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: **201309014**

Release Date: 3/1/2013

Date: October 19, 2012

Taxpayer Identification Number:

LEGEND

ORG - Organization Name

XX - Date Address - address

Form:

Tax Year(s) Ended:

Person to Contact/ ID Number

Contact Numbers:

Phone:

Fax:

ORG
ADDRESS

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear

In a determination letter dated April 5, 19XX, you were held to be exempt from Federal income tax under section 501(c)(2) of the Internal Revenue Code (the Code).

Based on recent information received, we have determined you have not operated in accordance with the provisions of section 501(c)(2) of the Code. Accordingly, your exemption from Federal income tax is revoked effective January 1, 20XX. This is a final letter with regard to your exempt status.

We previously provided you a report of examination explaining why we believe revocation of your exempt status was necessary. At that time, we informed you of your right to contact the Taxpayer Advocate, as well as your appeal rights. On August 22, 20XX you signed Form 6018-A, Consent to Proposed Action, agreeing to the revocation of your exempt status under section 501(c)(2) of the Code.

You are required to file Federal income tax returns for the tax period(s) shown above. If you have not yet filed these returns, please file them with the _____ within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however,

see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing
Director, EO Examinations



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE, EO Examinations
1100 Commerce St.
Dallas, TX 75242

June 25, 2012

ORG
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the _____ within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Form 6018
Report of Examination
Envelope

Form 886A	Department of the Treasury - Internal Revenue Service	Exhibit 1
Explanation of Items		
Name of Taxpayer ORG		Year/Period Ended 12/31/20XX

LEGEND

ORG - Organization name XX - Date Address - address City - city
State - state CO-1 & CO-2 - 1st & 2nd COMPANIES

Issue:

Whether ORG meets the requirements of Section 501(c)(2) of the Code?

Facts:

On December 15, 19XX, ORG (hereinafter "ORG") applied for recognition as a tax-exempt organization under section 501(c)(2) of the Code. On April 5, 19XX, based on the information that ORG provided in its application for exemption and on the assumption that ORG would operate in the manner represented in its application, ORG was recognized as a tax-exempt organization as described in section 501(c)(2) of the Code.

An examination was conducted of ORG for tax year ended December 31, 20XX. A review of ORG's activities revealed that the organization owned no property and conducted no activities for tax year ended December 31, 20XX.

ORG was formed as a title holding corporation. ORG's purpose, when formed, was to own certain real property to be leased to a governmental agency of the State of State. The lease payments were to be used to pay the principal and interest on tax exempt bonds used to finance the purchase of the real property. After retiring the bonds, the governmental agency had a bargain purchase option to acquire the real property for \$. ORG was formed as a tax-exempt organization because a State government entity cannot mortgage its real property.

An office building was purchased and is located at the following address:

Address, City, State

Until 20XX, the building was leased to the State Department of Health and Rehabilitative Services. During 20XX, the building was heavily damaged during Hurricane and any tenants moved out.

ORG defaulted on the municipal bonds used to purchase the property and a Final Judgment of Foreclosure was granted to The CO-1, as trustee. A judgment of \$ was awarded to the bondholders and the property was ordered sold at public auction. The property was subsequently sold to CO-2.

ORG has owned no other real property since 20XX.

Law:

Section 501(c)(2) provides that Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less

Form 886A	Department of the Treasury - Internal Revenue Service	Exhibit 1
Explanation of Items		
Name of Taxpayer ORG		Year/Period Ended 12/31/20XX

expenses, to an organization which itself is exempt under Section 501(c), are exempt from taxation.

Section 1.501(c)(2)-1 states that an organization cannot be exempt under section 501(c)(2) of the Code if it engages in any business other than holding title to property and collecting income therefrom.

Section 1.501(c)(2)-1(a) of the regulations states the limitation this way: "...a corporation described in section 501(c)(2) cannot be exempt under section 501(a) if it engages in any business other than that of holding title to property and collecting income therefrom."

Revenue Ruling 58-566, it was held that an organization organized to hold title to property for exempt organizations which had purposes and powers outside the scope of those of a 501(c)(2) organization was not exempt.

Government's Position

ORG is not exempt under Section 501(c)(2) of the Code. ORG does not operate exclusively for exempt purposes. ORG does not hold title to any property, does not collect income from any property and does not turn over any proceeds to an organization which is itself exempt under Section 501(c) of the Code. Therefore, ORG has no exempt purpose and its tax exempt status should be revoked as of January 1, 20XX.

Taxpayer's Position:

ORG agrees the facts as stated in this report and has submitted Form 6018-A signed by its President.

Conclusion:

Based on the foregoing reasons, ORG does not qualify for exemption under section 501(c)(2) and its tax exempt status should be revoked.